

**Risk and Compensation – striking the balance**  
**22<sup>nd</sup> March 2005**

Speech by Bill Callaghan, Chair of HSC

Good afternoon and welcome. I'm very glad that you could join the HSC to look at issues that I believe are important to us all – compensation and risk.

The Health and Safety Commission's vision is to gain recognition of health and safety as a cornerstone of a civilised society, and, with that achieve a record of workplace health and safety that leads the world.

So why should we be concerned about risk aversion? Because we are. Surely we are driving for ever-improving standards of occupational health and safety, looking forward to that halcyon day when all risk is eliminated, where no one is harmed by their work? Why should we be concerned about the so-called compensation culture? Because we are. Surely we believe that whenever someone is harmed someone should be blamed?

Well, whisper if not in Gath, tell it not in Dan: these are not our views. A risk-free society is pie in the sky. Make no mistake, together we can further reduce the level of work-related injuries, fatalities, and particularly ill health. And we should do so, not least because in 2003/ 04 they resulted in the loss of 39 million working days. 235 people went to work and did not come home. Nearly 30,000 came back injured. You don't need to be an economist to recognise the damage that causes to the economy.

But absolute safety is neither obtainable nor desirable. If we all stopped working and stayed at home there would be no more work-related ill health. There would be no more work. But would we all be healthy? The evidence is that well managed work is in fact good for us. Those without work suffer increased rates of depression. In a former life, as Chief Economist of the TUC I argued and campaigned against unemployment, not least because of high rates of morbidity and mortality among the jobless.

In a similar vein, if we banned all children from swimming pools there would never be another tragic death in a pool. But how many more children would drown in canals and the sea because they were never taught to swim?

Whatever the situation, there are always trade-offs to be made. Timothy Walker will expand on this in a few minutes.

Many myths about 'elf an' safety abound, but there are genuine examples of excessive risk aversion. Some are perhaps trivial and outside our concern - we have no desire to regulate egg and spoon races. Some are part of our responsibilities such as school trips. Colleagues the problem is that this risk aversion is fuelled by a perception of a compensation culture. That perception may be false, but it is influencing behaviour.

I commend "Better Routes to Redress" the excellent report produced last year by the Better Regulation Task Force. Compensation claims are not spiralling out of control, and contrary to some media reports, we are not becoming as litigious as the United States. But, as the BRTF identified, there is a "have a go" culture, fuelled by claims management companies. Genuine claims, of

which there are many, should encourage better risk management. But there are also many spurious claims, often settled out of court, at great expense. This money could be better spent elsewhere. It is this fear of litigation, and I have to say fear of action by HSE, that is leading to routine activities and events being banned.

I hope that the information on our website about school trips will help reassure both teachers and parents. But my concern is wider. I worry that too many small firms are put off by a misleading picture of what health and safety is all about. They are put off taking the practical and often simple measures that can protect their workers and their businesses. A small firm should not have to fill in pages and pages of forms to complete a risk assessment. That is not our view. Many complain about excessive regulation. But I am keen to ensure that our goal-based system is better understood.

That is why we have coined the term “sensible health and safety” which we define as managing risk, not trying to eliminate it. And it is also why over this year we want to promote a debate as to what sensible health and safety means. Where society should strike the balance. The balance between the kind of poor management that leads to needless suffering on the one hand, and excessive risk management that hampers innovation and freedom. We are keen to engage a wide range of stakeholders in this debate, including our fellow regulators.

The perceived compensation culture is an excellent starting place for that debate and I am very grateful to Lord Falconer for agreeing to speak here

today. It cannot be in anyone's interest to perpetuate the myth of a compensation culture. The paradox is that those press commentators that complain most about risk aversion perpetuate it with misleading stories about health and safety and the alleged compensation culture.

I'd like now to hand over to Timothy Walker to say a few words about how HSC's executive arm manages some of the very difficult dilemmas that risk presents.